HOUSING MARKET OUTLOOK

Northern Ontario

Canada Mortgage and Housing Corporation
www.cmhc.ca

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New Home Market

Sudbury Starts Peaking, Thunder Bay's Dipping

Northern Ontario's two largest centres are on two different courses when it comes to housing starts activity. Greater Sudbury's housing market continues to show remarkable strength with no immediate signs of easing. A tight resale market with an inadequate supply of homes in higher priced ranges will drive prospective homebuyers to the new construction market. Developers recognizing this need are bringing more land on stream to give buyers more choice. Employment softening in 2005 should be short-lived and signs of stabilization are already appearing. Despite slower job growth, employment levels are stabilizing thanks to the buoyant mining and mining supply sector. Strong employment growth since 1999 will still produce some ready-to-buy households this year. Strong first quarter construction activity will push single-detached starts higher. With 21 starts in the first quarter, up from 17 last year, CMHC is forecasting 390 single-detached starts and multi-family starts for a total of 440 Greater Sudbury starts. Further starts gains are anticipated in 2007.

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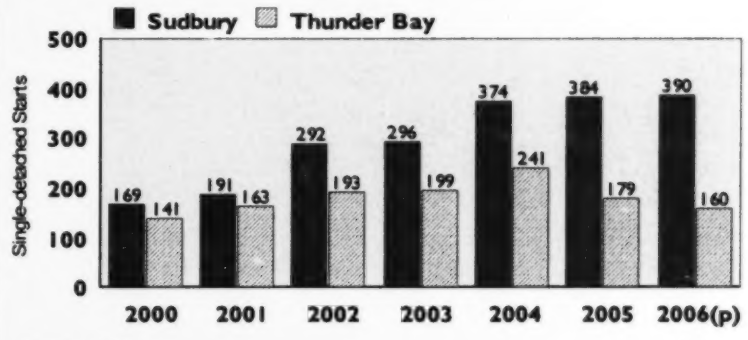
Sudbury Starts Rising

Thunder Bay Edging Lower



Source : SCHL

Thunder Bay's weakness is in contrast to Greater Sudbury's strength. Total housing starts in Thunder Bay dropped 20.9 per cent in 2005 led by the 25.7 per cent decline in single-detached starts. Soft employment growth and a host of negative announcements, especially in Thunder Bay's forestry sector, have affected consumer confidence. The full effect of the spate of bad news has yet to be felt. The limited in-migration that is occurring comes primarily

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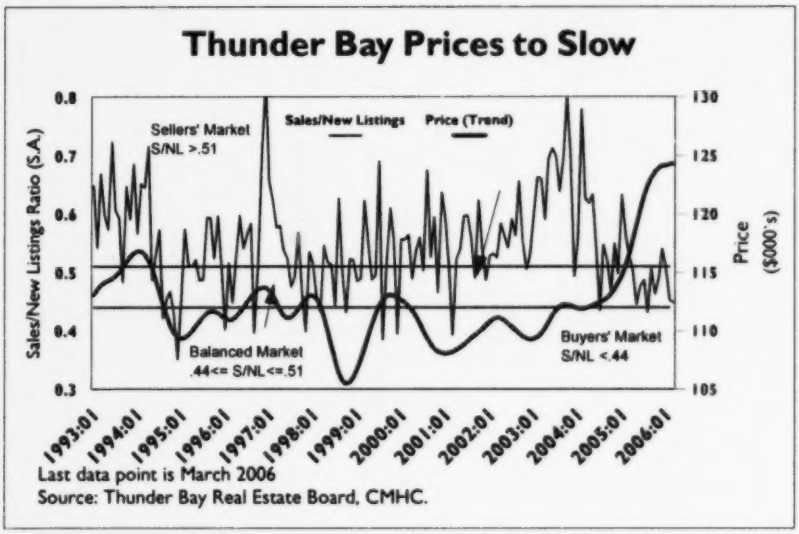
from the hinterlands around Thunder Bay. Income levels of new arrivals are not enough to generate many new sales. Thunder Bay home starts in the first quarter totalled 14 homes, down from 15 in 2005. After recording 227 starts in 2005 in Thunder Bay, only 210 will start in 2006, comprised of 160 single-detached units and 50 multi-family units.



Resale Market

Sudbury Sellers', Thunder Bay Balanced

A tight Greater Sudbury resale market is behind the strength in new home demand. Limited resale supply in the face of relatively strong demand is driving buyers to purchase new homes. A high sales to new listings ratios, the low average days on market to sell a home and the high sell to list price ratio are all signs of a tight housing market. Relatively low interest rates, pent-up demand generated from job gains over the past decade in combination with the healthy in-migration from other Ontario centres will contribute to demand.

The 525 first quarter sales through the Multiple Listing Service were the highest recorded since 1990. CMHC expects 2,671 resales in 2006, which will set another new record.

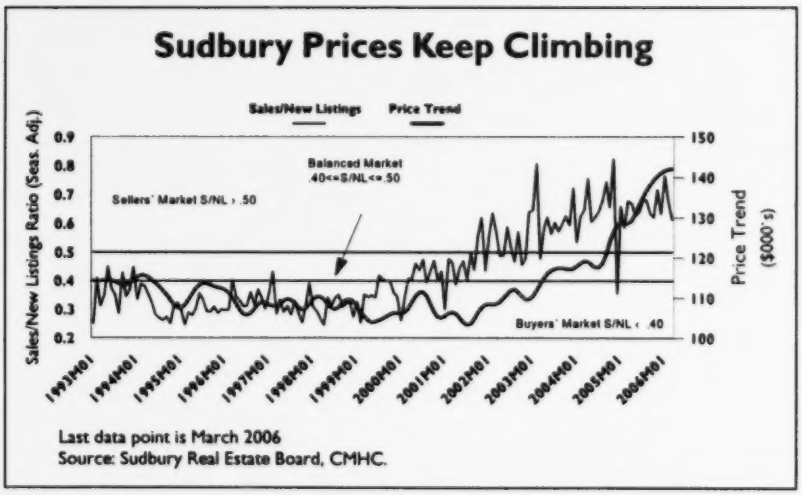
Sellers' market conditions prevail. New Listings have risen 2.2 per cent in the first quarter but this is not sufficient to match the increased demand. (see Chart below)

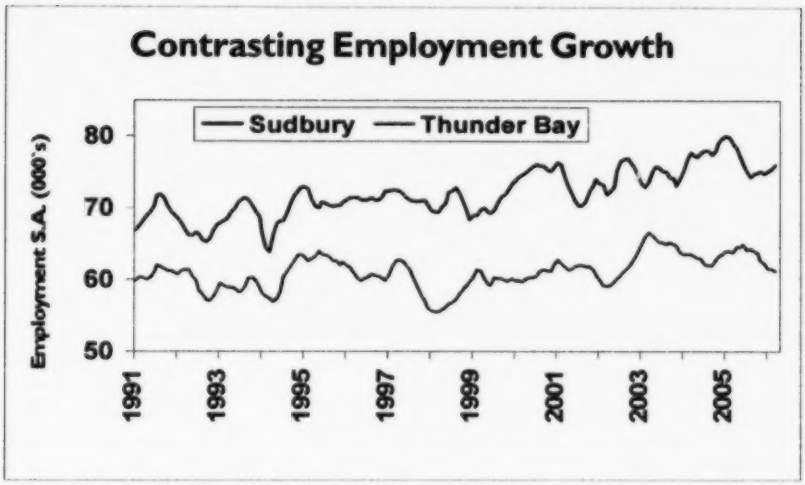
A high sales to new listings ratio points to strong price growth ahead. Greater Sudbury average resale prices are already up 6.6 per cent to the end of the first quarter. They will rise 5.0 per cent in 2006.

Despite the steady flow of bad economic news in 2005, Thunder Bay resales were flat compared to 2004. Thus far, sales in 2006 are off 13.2 per cent to March 31st. Sales are expected to finish the year off 4.3 per cent.

New listings are the story in the first quarter. Rising 20.8 per cent thus far, they provide early evidence of the impact of forest sector weakness. Move-down buyers, or those households planning to pick up stakes and move, may be fuelling the increase in new listings.

The falling sales to new listings ratio is a signal of market weakening. Prices are forecast to edge up 1.3 per cent in 2006. The growing average home prices are counterintuitive unless you look behind the numbers. Sales are concentrated in the upper home price ranges, above traditional market ranges, skewing the average up. (see Chart above)





To March 31, 2006
Source : Statistics Canada Labour Force Survey

Economy

Sudbury Jobs Stabilizing, Thunder Bay Showing Weakness

A dip in employment in Greater Sudbury witnessed throughout 2005 has given way to a more stable situation in 2006. Readers need to be reminded there has been a significant run-up in job numbers since the late 1990's so that even with the recent employment weakness, strength exhibited in housing market indicators should not be surprising. Partially explaining this anomaly is that recent weakness stems from services sector employment as opposed to the goods producing sectors of the economy. Secondly, employment growth is primarily amongst the more affluent 45+ baby boomers who are looking at move-up opportunities. Employment growth in younger age groups, especially in the last couple years, has made a noteworthy contribution to rental demand.

Nickel prices remain strong and while the finalization of Inco's purchase of Falconbridge is not complete, it will have a limited effect on mining operations this year. A labour contract expiring in May is more of a short term concern. New global nickel supply coming on stream in the coming years threatens prices over the medium term. The recent announcement regarding the Centre for Excellence in Mining Innovation will enhance Sudbury's position nationally and internationally as a location for cutting edge research in the mining field.

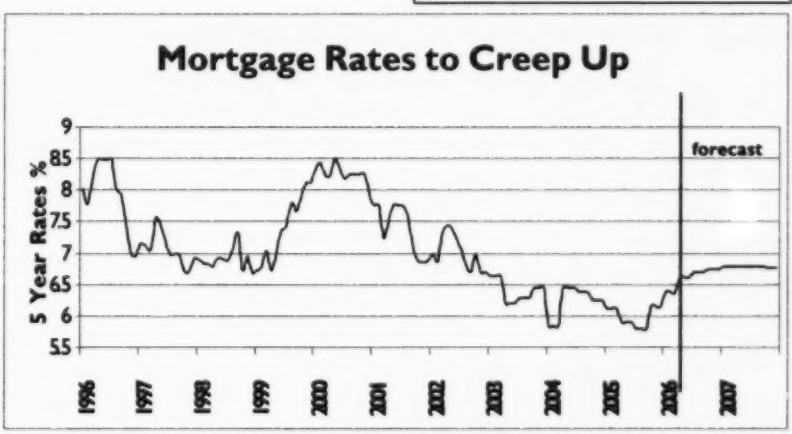
Employment growth registered in 2005 will not be sustained in 2006 due to continued fallout from the forest products sector weakness. High energy costs, a stronger Canadian dollar and wood fibre availability issues and the ongoing Canada-U.S. softwood lumber dispute are hampering Thunder Bay's economy.

A new call centre in the Victoriaville Centre has the potential to create 500 seats by July. The potential joint venture medical research centre, spearheaded by the Thunder Bay Regional Health Sciences Centre, may also create jobs.

Mortgage Rates Will Rise in 2006

Moderate inflation and a strong Canadian dollar vis-à-vis the U.S. dollar will help restrain the size and speed of Canadian interest and mortgage rate increases in 2006.

While still low by historical norms, mortgage rates are expected to rise gradually by 50-75 basis points in 2006. One, three and five-year mortgage posted rates are forecast to be in the 5.75-6.75, 6.00-6.75, and 6.25-7.25 per cent ranges respectively in 2006.



Source: 5 Year Posted Mortgage Rates, CMHC Forecast

OUTLOOK SUMMARY
Northern Ontario

RESALE MARKET	2004	%chg	2005	%chg	2006(f)	%chg
Sudbury MLS sales*	2,500	14.1	2,593	3.7	2,671	3.0
Sudbury MLS average price	$122,866	4.6	$134,440	9.4	$141,161	5.0
Sudbury New Listings (Total)	3,906	6.6	3,906	0.0	4,101	5.0
Thunder Bay MLS sales**	1,412	6.6	1,410	-0.1	1,349	-4.3
Thunder Bay MLS average price	$113,345	0.5	$122,889	8.4	$124,486	1.3
Thunder Bay New Listings (Total)	2,616	1.7	2,788	6.6	2,927	5.0
NEW HOME MARKET	**2004**	**%chg**	**2005**	**%chg**	**2006(f)**	**%chg**
Sudbury Starts						
Total	388	26.8	400	3.1	440	10.0
Single family	374	26.4	384	2.7	390	1.6
Multiple (semi, row, apt)	14	40.0	16	14.3	50	212.5
Thunder Bay Starts						
Total	287	36.0	227	-20.9	210	-7.5
Single family	241	21.1	179	-25.7	160	-10.6
Multiple (semi, row, apt)	46	283.3	48	4.3	50	4.2
RENTAL MARKETS	**2004**	**%chg**	**2005**	**%chg**	**2006(f)**	**%chg**
Sudbury Vacancy rate (Oct. '05)	2.6%	n/a	1.6%	n/a	2.0%	n/a
Average rent, two-bed. apt.	$655	0.6	$668	2.0	$684	2.4
Thunder Bay Vacancy rate (Oct. '05)	5.0%	n/a	4.6%	n/a	5.0%	n/a
Average rent, two-bed. apt.	$679	1.0	$689	1.5	$696	1.0
ECONOMIC OVERVIEW	**2004**	**%chg**	**2005**	**%chg**	**2006(f)**	**%chg**
Mortgage rate, 5 year	6.23	n/a	5.99	n/a	6.61	n/a
Sudbury Net Migration***	n/a	n/a	n/a	n/a	n/a	n/a
Thunder Bay Net Migration * **	n/a	n/a	n/a	n/a	n/a	n/a
Sudbury Employed (Annual avg.)	77,700	4.2	76,700	-1.3	77,500	1.0
ER 590 **** Employed	255,200	0.5	256,400	0.5	n/a	n/a
Thunder Bay Employed (Annual avg.)	63,000	-4.3	63,900	1.4	63,400	-0.8
ER 595 ***** Employed	111,900	-4.8	108,800	-2.8	n/a	n/a

* Based on SREB/TBREB (Sudbury/Thunder Bay Real Estate Board) territories.

** Based on TBREB (Thunder Bay Real Estate Board) Sales in District 1, Subdistricts 1-32)

*** Source of Migration data is Statistics Canada Small Area Data Division

**** Economic Region 590 includes the Northeastern Onario Districts excluding Sudbury CMA

***** Economic Region 595 includes the Northwestern Ontario Districts excluding Thunder Bay CMA

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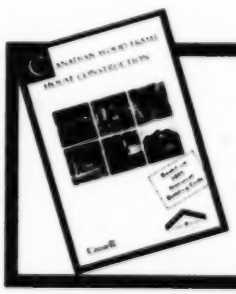

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